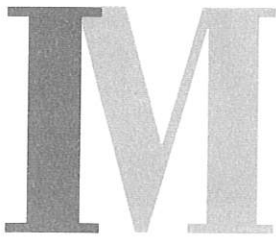


UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL
Board of Directors Meeting

January 25, 1996, 11:30 a.m.
Utah Association of Counties Offices
4021 South 700 East, Suite 180, Salt Lake City, Utah
801-265-1331

AGENDA

11:30	Call to Order	Gerald Hess
	Review of Board Members Absent	Gerald Hess
	Approval of December 21, 1995 Minutes	Gerald Hess
	Trustee Position Vacancy	Board of Directors
	Insurance Department Market Conduct Report	Brett Rich
	Board Policy on County Employees with Bad Driving Records	Brett Rich
	Director's Report	Brett Rich
12:30	Lunch Break	
	Loss Prevention Report	David Nelson
	Audit Committee Report	Gerald Hess
	Litigation Management Committee and Claims Report	Kent Sundberg Doug Alexander
	Brokers Report	Jess Hurtado Keri Chappell
	Summary of Financial Statements	Brett Rich
	Interest on Debenture Loans	Brett Rich
3:30	Adjourn	



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL MINUTES, BOARD OF DIRECTORS MEETING

January 25, 11:30 a.m.
UAC Offices

Board Members Present: Gary Herbert, *President*, Utah County Commissioner
Gerald Hess, *Vice President*, Davis County Deputy Attorney
Sid Groll, *Comptroller*, Cache County Sheriff
Robert Gardner, *Secretary*, Iron County Commissioner
Ty Lewis, San Juan County Commissioner

Board Members Absent: Ken Brown, Rich County Commissioner
Sarah Ann Skanchy, Cache County Council Member
Gary Sullivan, Beaver County Commissioner

Others Present: Kent Sundberg, Utah County Deputy Attorney
Brett Rich, Director, UACIM
David Nelson, Loss Prevention Manager
Sonya White, UACIM Administrative Assistant
Jess Hurtado, UACIM Broker
Keri Chappell, UACIM Broker
Doug Alexander, UACIM Claims Manager

CALL TO ORDER

President, Gary Herbert, requested that Gerald begin this meeting until his arrival. Gerald called the meeting to order and welcomed those in attendance.

REVIEW OF BOARD MEMBERS ABSENT

Ken, Sarah Ann and Gary Sullivan were unable to travel to Salt Lake today due to the extreme weather conditions. Sarah Ann will be available by phone. Sid made a motion to excuse Ken, Sarah Ann and Gary Sullivan from this meeting. Gary Herbert seconded the motion and the motion carried.

REVIEW AND APPROVAL OF DECEMBER 1995 MINUTES

The minutes from the December 21, 1995, Board meeting were previously sent and reviewed by the Board. The following changes were requested: Audit Committee Requirement, page two, should read, *The Board shall appoint an Audit Committee as required in UT Code Ann. §31A-5-412.* Re-Negotiate Debenture Loans, page three, should read, *Brett explained that the Board had discussed the possibility of re-negotiating the interest rate on the debenture loan agreements by paying the State Treasurers Fund interest rate...* Ty made a motion to approve the minutes with the above corrections. Sid seconded the motion and the motion carried.

TRUSTEE POSITION VACANCY

Pursuant to the Board's request, Brett contacted those member officials regarding the vacant trustee position. Lee Allan, Box Elder County Commissioner, told Brett that he would like to serve but he is already on several boards and committees and just doesn't have the time. Commissioner Allan recommended Box Elder County Commissioner, Royal Norman. Brett spoke to Commissioner Norman who is willing to serve but said he has no insurance background. Curtis Dastrup, Duchesne County Commissioner, is willing to serve and has no problem with the time commitment. Michael Spanos, Wasatch County Sheriff, is busy with the new county jail and said he would be willing to serve next year. Steven Wall, Sevier County Clerk-Auditor, is very willing to service and has previously been considered for a position on the Board. After discussion, the Board felt that having a county policy maker on the Board would be an asset to the Mutual. Ty made a motion to appoint Commissioner Curtis Dastrup to fill the unexpired term of Dennis Ewing as a Board Trustee. Bob seconded the motion and the motion carried.

INSURANCE DEPARTMENT MARKET CONDUCT REPORT

Brett explained that Randy Overstreet contacted him late in November wanting to complete the market conduct examination which the Insurance Department conducted over a year ago. Finally, the Department sent a copy of the Market Conduct Examination Report on December 7, 1995, which included the following recommendations that need action within 90 days: 1) *It is recommended that the Company either cease from providing coverage not authorized by the Certificate of Authority and correct the policy language accordingly, or obtain the proper authority for the professional liability and crime coverages it provides.* As discussed in several meetings, Brett explained that the Department issued the original Certificate of Authority incorrectly. Brent Gardner and Jess have been working with the Department for several years to get this issue resolved. 2) *It is recommended that all documents incorporated into the policy by reference and any subsequent amendments to the policy, be properly attached to the policy and filed with the Utah Insurance Department.* Brett explained that the Mutual's Certificate of Participation references excess policies, bylaws and policy statements. All this information has been given to the Department but not as a complete policy. This recommendation also relates to recommendation number three. 3) *It is recommended that the policy form be corrected to be clear and unobscure in its language.* 4) *It is recommended that the Company separate its preliminary loss control investigations from its claim investigations.* Brett feels that with the recent Board adopted policy, *Use of Defense Counsel Prior To Notice of Claim*, this recommendation has been met. 5) *It is recommended that quality control procedures be implemented to ensure that all claims be promptly settled upon adjudication of the claim and within thirty days of receiving the information necessary to settle the claim.* Brett explained that approximately 94% of claims were settled as required—the Mutual should be at 100%. 6) *It is recommended that explanations for delays in investigating or processing of claims be included in all claim files.* 7) *It is recommended that all claim documents be date stamped as they are received.* The examiner explained that in recommendation six and seven, this was the case in a few files but is not a prevalent problem. The Examiner's Comments were: *Except as noted in this report, the Company appears to be in compliance with the Utah Insurance Code and Utah Insurance Department Rules applicable to the Utah Insurance Code. Policyholders were treated correctly and fairly by the Company and policyholder service is generally timely and correct. Claims are generally processed as soon as proper documentation is received from the claimant. There were no recorded complaints during the examination period.* Brett explained that overall this is a good report. A meeting with the Department has been scheduled for February 12, 1996, at 9:00 am. Brent, Jess, Brett and a member of the Board will attend. The Department will conduct an examination of the Mutual every three years so the Board directed staff to work towards 100% compliance by the next examination.

BOARD POLICY ON COUNTY EMPLOYEES WITH BAD DRIVING RECORDS

The Board previously received and reviewed a proposed policy regarding county employees with bad driving records. Brent originally wrote a proposed policy which the Board reviewed and made changes. The changes were given to Brett who drafted a second proposed policy. Ty made a motion to adopt the County Driver Review Policy. Bob seconded the motion and the motion carried. Brett also suggested the implementation of a program for compliance to policy statements, risk reviews, etc. The Board directed Brett to develop and draft a point system program for the Board to review at the next meeting.

DIRECTOR'S REPORT

Brett explained to the Board that a notice requirement waiver must be signed by each Board member relating to the telephonic conference held on November 30th. Those Board members present signed the waivers.

Pursuant to the December 21st Board meeting, Brett reported on the possibility of offering additional coverages through the Mutual. Boiler and Machinery coverage would not bring much revenue into the Mutual but would be an excellent service to the members. The total premium would be approximately \$40,000. A while ago, Keri sent information to the members regarding boiler and machinery coverage and did not receive any response. Bob made a motion directing Keri to send a questionnaire to the member commissioners and insurance coordinators to respond if they want boiler and machinery coverage offered through the Mutual. Sid seconded the motion and the motion carried. Brett is continuing to research Wildland Fire coverage. Senator Blackham is sponsoring a Bill this session to set-up a fire suppression fund. Counties are required to budget each year for the suppression of wildland fires on the county's public lands. If the cost of the suppression exceeds the county's budget, there is a program available through Sovereign Lands & Forestry which splits the cost between the county and state. The purpose of Senator Blackham's Bill is a fund (pool) to cover the cost (of the county not the state) once the county's budget is depleted. Brett met with Sovereign Lands & Forestry, Senator Blackham, Brent Gardner and Mark Walsh regarding this issue. If the Bill passes, the state will front \$300,000 to form the pool, the counties would budget two amounts and a request to administer the pool may be offered to the Mutual. The Board directed Brett to continue to work with Brent and Mark and if the Bill passes the Board will look at the feasibility of administering a wildland fire pool. Brett will report on the other coverages the Board requested at the next meeting. Jess recommended to the Board that due to the amount of time it takes to investigate, study and implement a Workers Comp pool, they may want to begin the research now. Ty made a motion to start the study of Workers Comp with the member counties. Bob seconded the motion and the motion carried.

Brett reviewed the proposed *Resolution Concerning the Handling of Claims* with the Litigation Management Committee. The Committee revised the proposed resolution and the Board reviewed it. Gerald made a motion to adopt the Resolution Concerning the Handling of Claims by UACIM. Bob seconded the motion and the motion carried.

Brett reported that the lowest supported loss pick number was used for the 1996 Mutual budget. \$1,822,000 is the Coopers & Lybrand figure, minus 10%. Brett faxed the budget to the Board members and received no reply or comments, therefore, he has been personally presenting the budget to the counties. He has been well received by explaining the numbers and answering questions.

Brett recommended to the Board that they may want to look at submitting an RFP for the 1997 Brokerage Agreement. AON has been the Broker of the Mutual since its inception and routinely contracts are submitted for bid every five years. Brett felt that this is something the members may expect although there has been no complaints with the services provided by AON. The Board directed Brett, Kent and Gerald to coordinate a Request for Qualifications perspective and make a recommendation to the Board at the next meeting.

INTEREST ON DEBENTURE LOANS

Brett previously spoke with some of the Board members to clarify the intent of the motion made during the December 21st meeting relating to the debenture loans. In the discussion there were two issues addressed: 1) the possibility of offering the county something in return for their relinquishing the right to 1% over the State Treasurers Fund on the debenture money and 2) the adoption of a policy to allow the Board, within the Insurance Code, to dictate what happens with the money in the event of dissolution. Referring to issue number two, Brett explained that the language on the signed debenture agreements state: *In the event of reorganization, dissolution, 100% reinsurance or liquidation of the UAC Mutual after the retirement of all its outstanding obligations other than subordinated debentures, the holders of subordinated debentures remaining unpaid shall be entitled to preferential right in remaining assets of the UAC Mutual equal to the face amount or unpaid principle balance plus accrued interest before any distribution of such assets to participants of the UAC Mutual.* Brett felt that a policy is not needed because the agreement already states what the Mutual is entitled to do pursuant to the Code. Referring to issue number one, Ty suggested that the extra 1%, budgeted to pay with the interest, be earmarked to surplus now, rather than to the counties once the surplus requirement is met. Then when the Mutual is at the point of returning surplus, an additional 1% will be returned to the debenture loan counties. The Board directed Ty to speak with the other commissioners of debenture loan counties to get an idea of what they would like to do with the extra 1%.

LOSS PREVENTION REPORT

David reviewed with the Board his written report from the December 21st meeting. Risk reviews have been completed in Emery, Grand, Kane, Wasatch and Washington Counties with a copy of the recommendations given to the Board. David has received written replies to his risk reviews from Davis, Garfield, Iron and Millard Counties. Duchesne, Piute, Rich and Wayne Counties have been referred to Brett due to noncompliance. Millard and Uintah County made special requests for David to review some exposures in their counties. David conducted training in 11 counties, attended the Safety and Industrial Hygiene Conference and attended jail inspection training sponsored by the Utah Jail Commanders Association. For the month of March, David has scheduled regional CDL training workshops to be hosted by Davis, Emery, Iron and Utah Counties. Registration information will be sent to all member county elected officials, department heads and supervisors. David reviewed his 1996 *Work Objectives* with the Board. David reported that the League of Cities and Towns is conducting the Annual Road School in April. He suggested that the Mutual may want to have an exhibit booth at the Road School. The Board felt this would be a good opportunity for the Mutual. David designed a *Risk Review Check Off List*, to cover issues as he visits the counties. David reviewed his 1996 schedule of risk reviews and included the 1993, 1994 and 1995 schedule of risk reviews. David also reviewed his monthly calendar for January and February.

AUDIT COMMITTEE REPORT

The first meeting of the Audit Committee was held today, prior to the Board meeting. Gerald reported that the Committee will begin familiarizing themselves with the duties of this Committee. Brett will supply the Audit Committee with actuarial reports so the Committee can begin their review of the outside auditors hired by the Mutual. The Committee's next meeting is scheduled for February 22, 1996.

LITIGATION MANAGEMENT COMMITTEE AND CLAIMS REPORT

Robert made a motion for the Board to go into executive session to discuss the LMC and claims report. Ty seconded the motion and the motion carried.

Ty made a motion for the Board to come out of executive session. Robert seconded the motion and the motion carried.

Robert made a motion to authorize settlement up to the amount of \$31,500 for claim number 801MIL967001. Sid seconded the motion and motion carried.

Robert made a motion to authorize settlement up to the amount of \$10,000 with \$5,000 as the initial offer for claim number 801IRO947005. Sid seconded the motion and the motion carried.

Ty made a motion to rescind the motion on claim number 801WAS927004 made during the December 21st Board meeting and direct Brett and Doug to insist that National Union clarify this case and commit to either coverage or no coverage. Gerald seconded the motion and the motion carried.

BROKERS REPORT

Keri reported that she has written only one special event under the TULIP program and requested suggestions to promote this service. This program was introduced at the Annual Membership Meeting, in the *Mutual Matters* newsletter and information was sent to all the member county insurance coordinators. The Board directed Keri to discuss the program with the UAC Board of Director's at their February 8th meeting. Also, Keri was directed to contact the person who schedules the county facilities and explain the program.

Jess requested a copy of the Jail Standards to review. Brett will get him a copy.

Jess will be meeting with Dennis Ewing, Tooele County Clerk, on February 8, 1996, to review the county's insurance program.

SUMMARY OF NOVEMBER FINANCIAL STATEMENTS

The financial statements for the month ending November were previously sent to the Board Members for review. Brett reviewed an updated chart showing the total incurred for each year as of December 1995. The Mutual has ended the drastic upward trend in 1995, bringing the numbers back down to where they were in 1992. Coopers & Lybrand do not have the year-end actuarial numbers to AON, therefore, the year-ending December 1995 financial statements are not completed. Coopers & Lybrand want to increase the 1995 loss pick from \$1.5 million to \$1.7 million. Brett will continue to negotiate these numbers with Coopers & Lybrand.

OTHER BUISNESS

Brett reported that the only counties that have paid their 1996 premium contributions are: Beaver, Duchesne, Emery, Juab, Millard, Wasatch, and Wayne. These premiums are due January 31.

The next meeting of the UACIM Board of Directors will be at 11:00 a.m. on the 22nd of February, 1996, at the UAC Offices.

